



The state of the World Economy and the EU economic prospects

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EU-OPEC Energy Dialogue

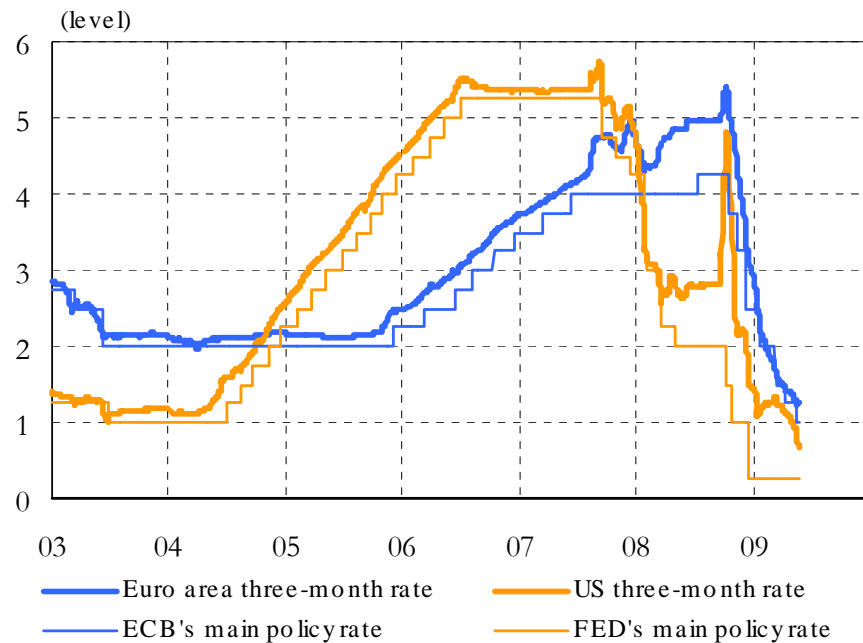
Vienna, 23 June 2009



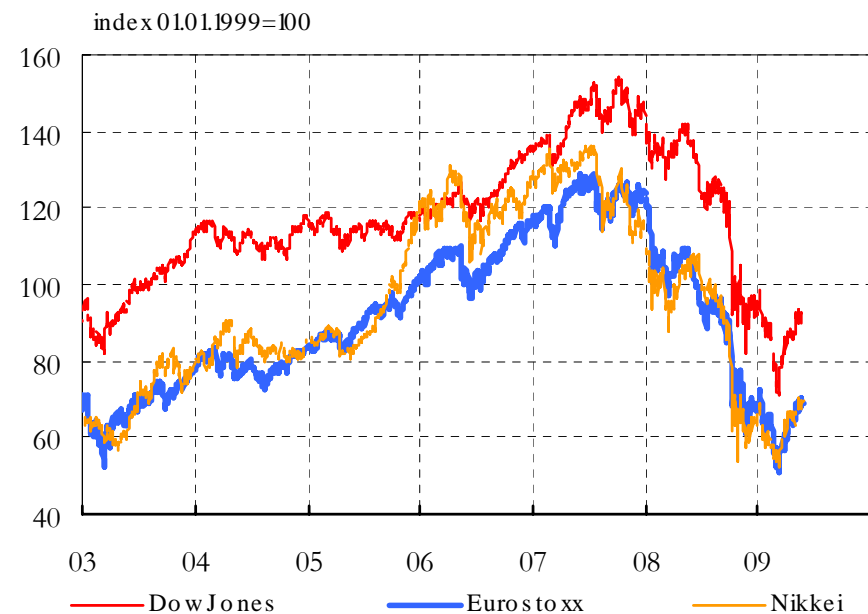
Financial crisis: markets' situation improving

Unprecedented support to financial sector helps stabilise, but vulnerabilities remain

Short-term interest rates in the US and the euro area



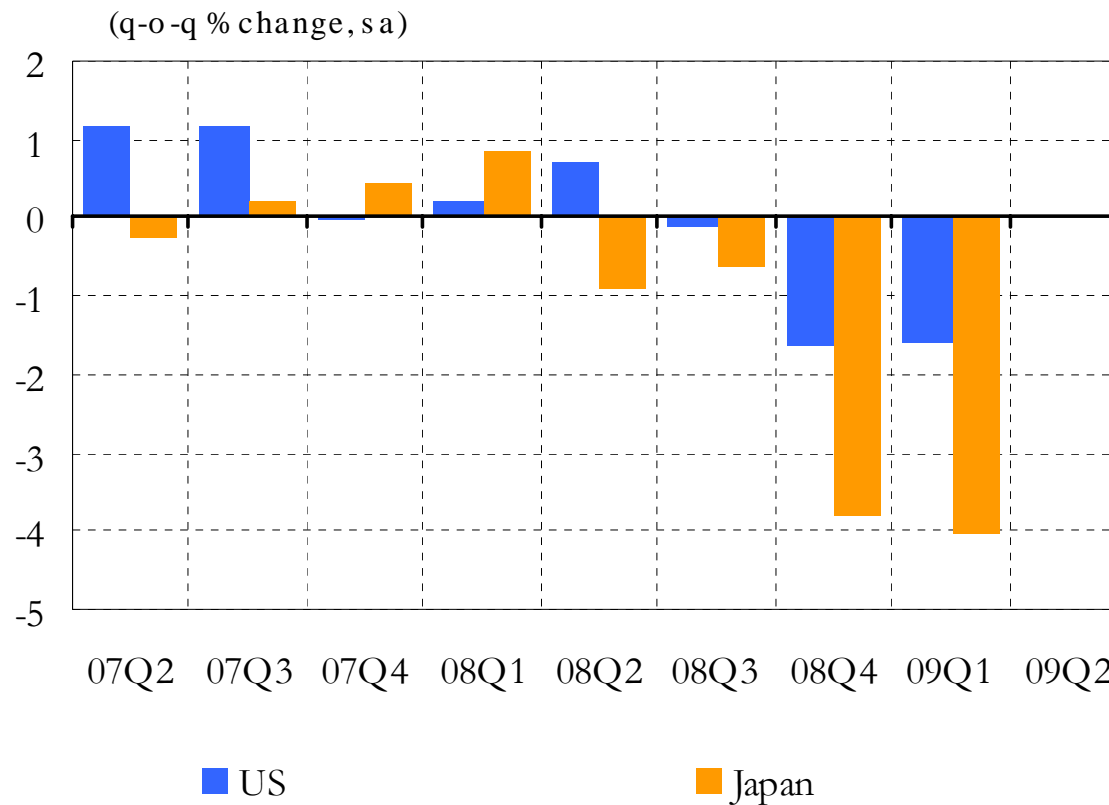
Stock markets, world wide





Global economy in recession, lead by advanced economies

Quarterly real GDP growth in the US and Japan (% , quarter-on-quarter)



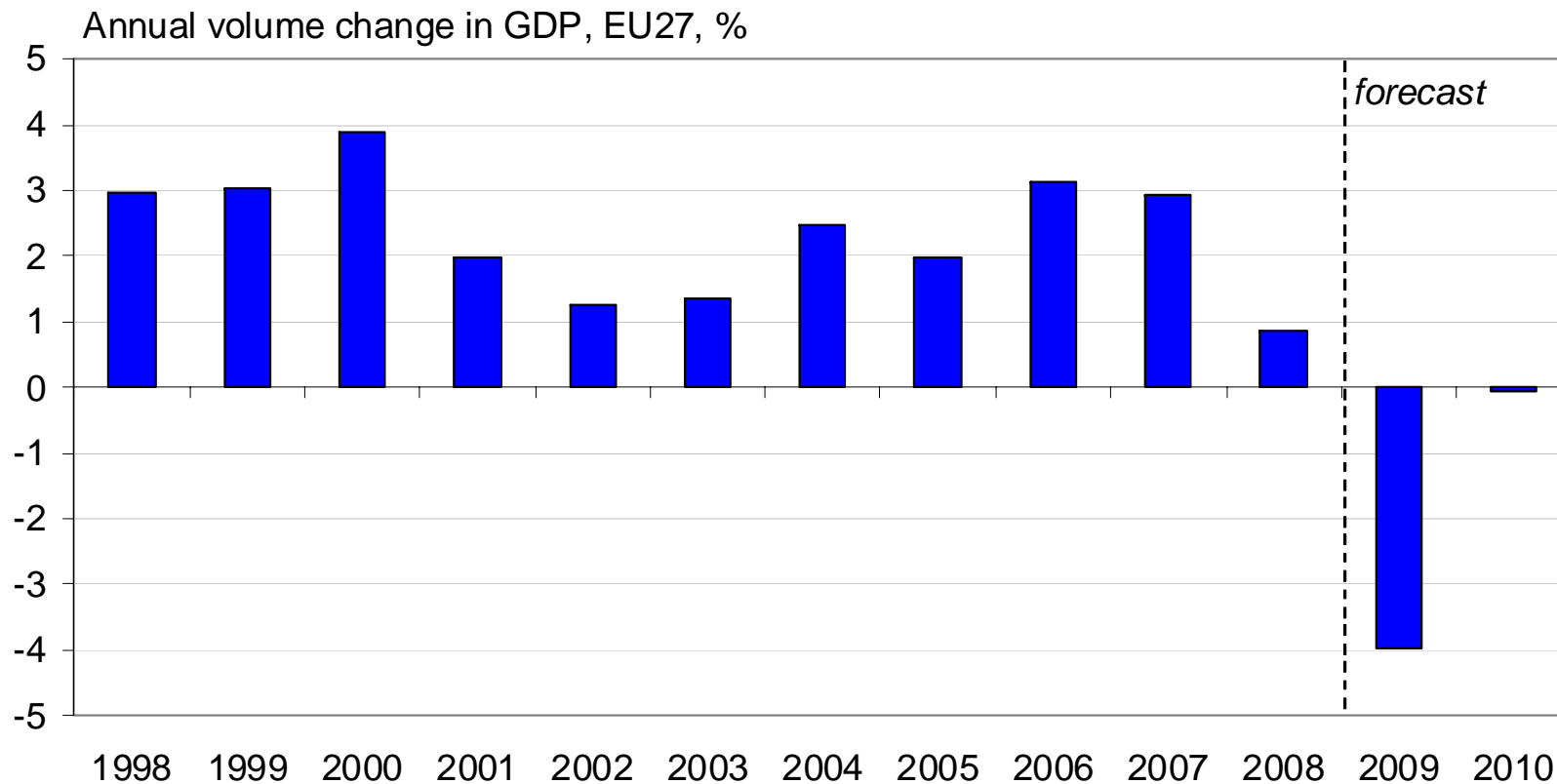


Global economy in recession

	2007	2008		2009		2010	
(percentage change on preceding year)		Spring	Jan-09	Spring	Jan-09	Spring	Jan-09
World GDP growth	5.1	3.1	3.3	-1.4	$\frac{1}{2}$	1.9	$2\frac{3}{4}$
<i>GDP growth in:</i>							
- the US	2.0	1.1	1.2	-2.9	-1.6	0.9	1.7
- Japan	2.4	-0.7	-0.1	-5.3	-2.4	0.1	-0.2
- China	13.0	9.0	9.7	6.1	$6\frac{3}{4}$	7.8	8
- EU	2.9	0.9	1.0	-4.0	-1.8	-0.1	0.5



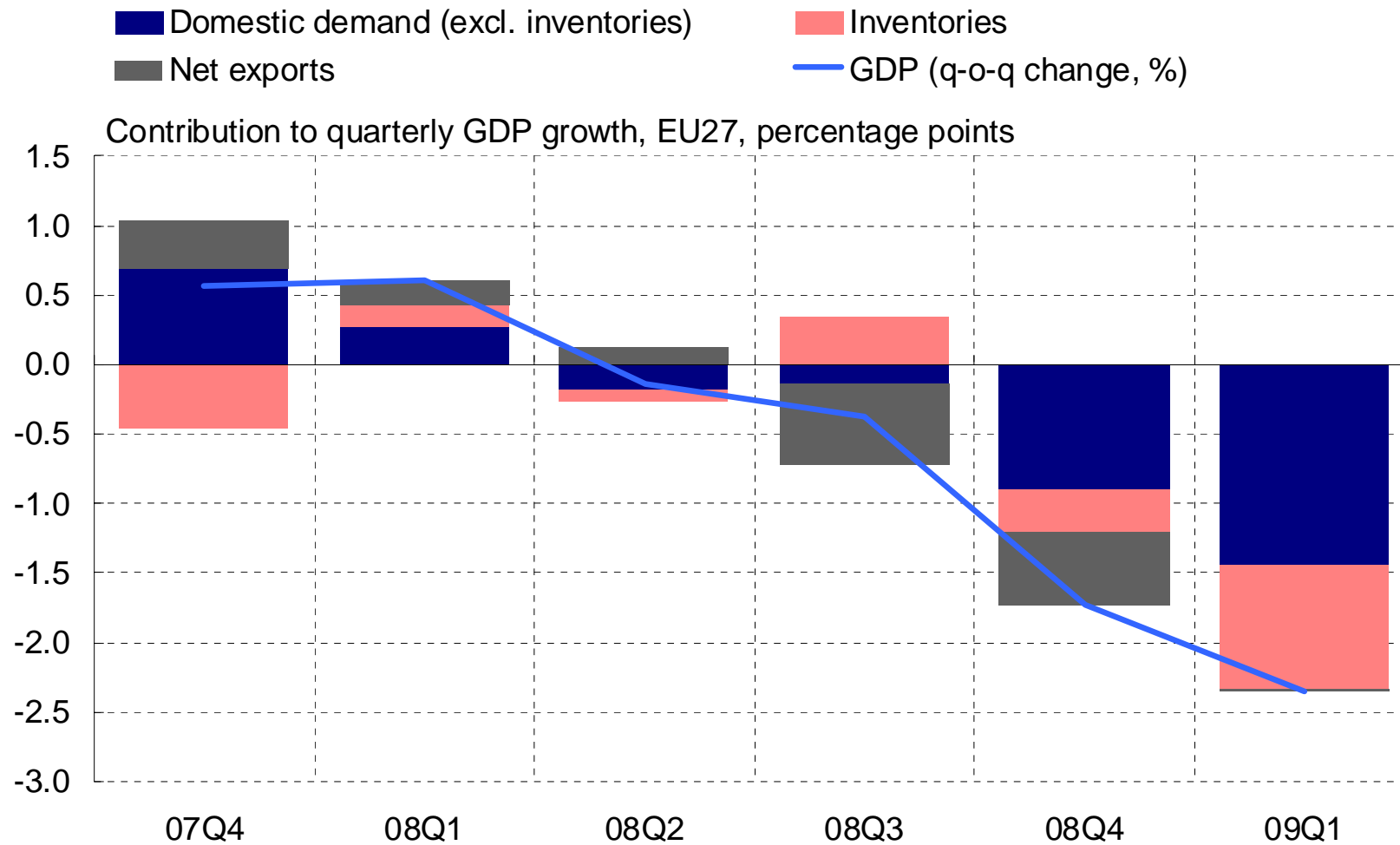
Spring forecast: EU GDP to fall 4% this year



Sources: Eurostat and Commission services.



2009Q1: Broad-based weakness

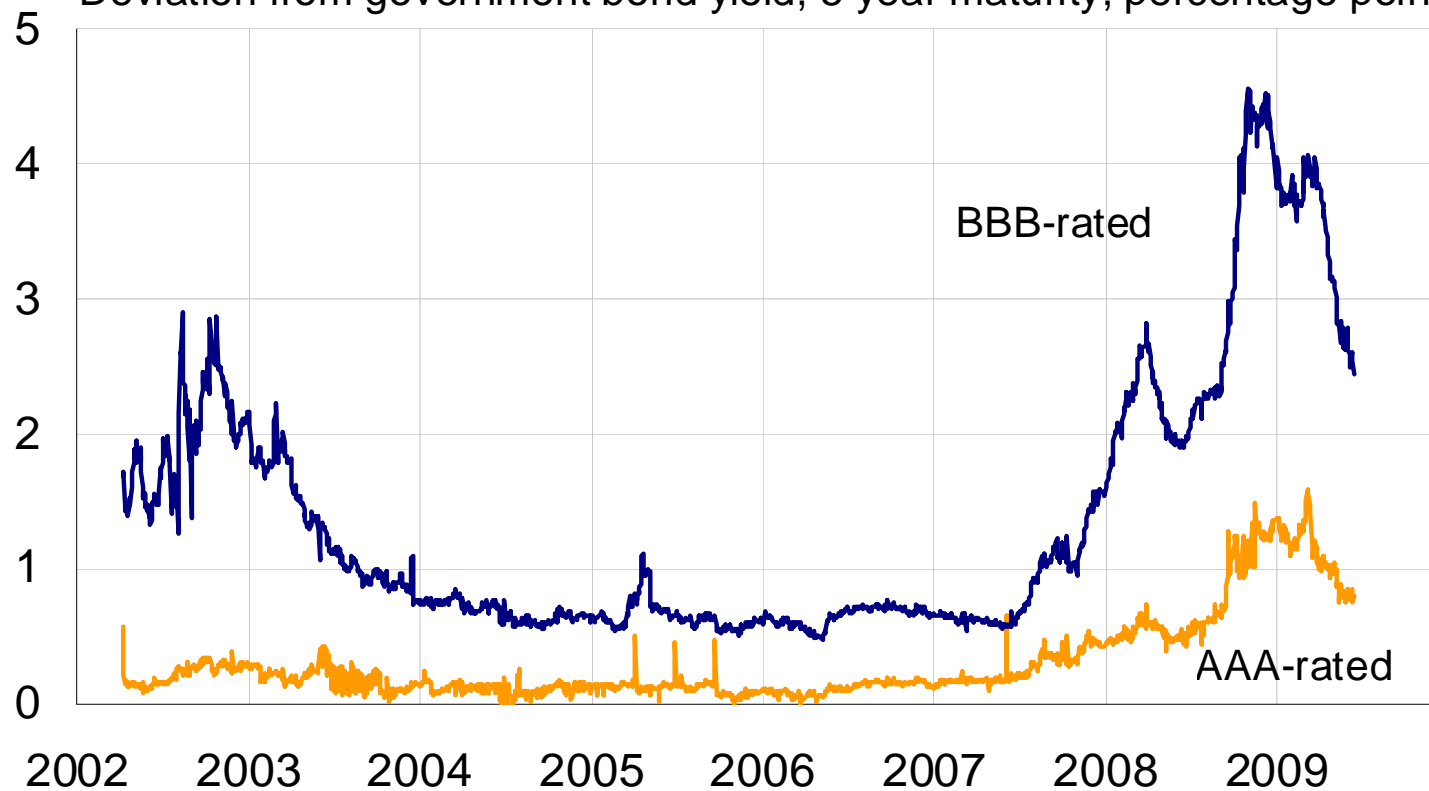


Source: Eurostat.

Financial markets: Some improvement recently

Corporate bond spreads, euro area

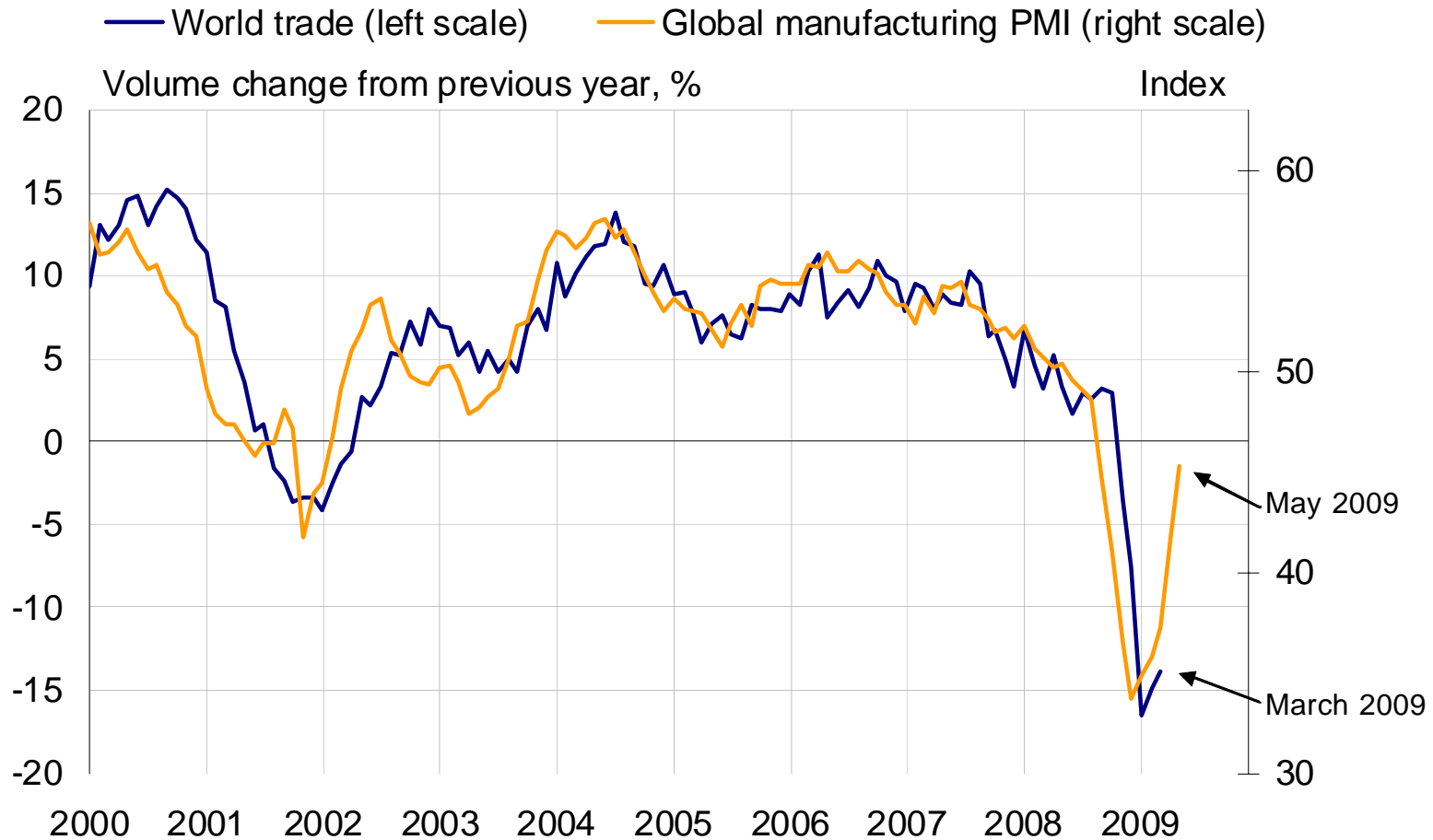
Deviation from government bond yield, 5 year maturity, percentage points



Source: Ecwin (Reuters indices). Last observation: 11 June 2009.



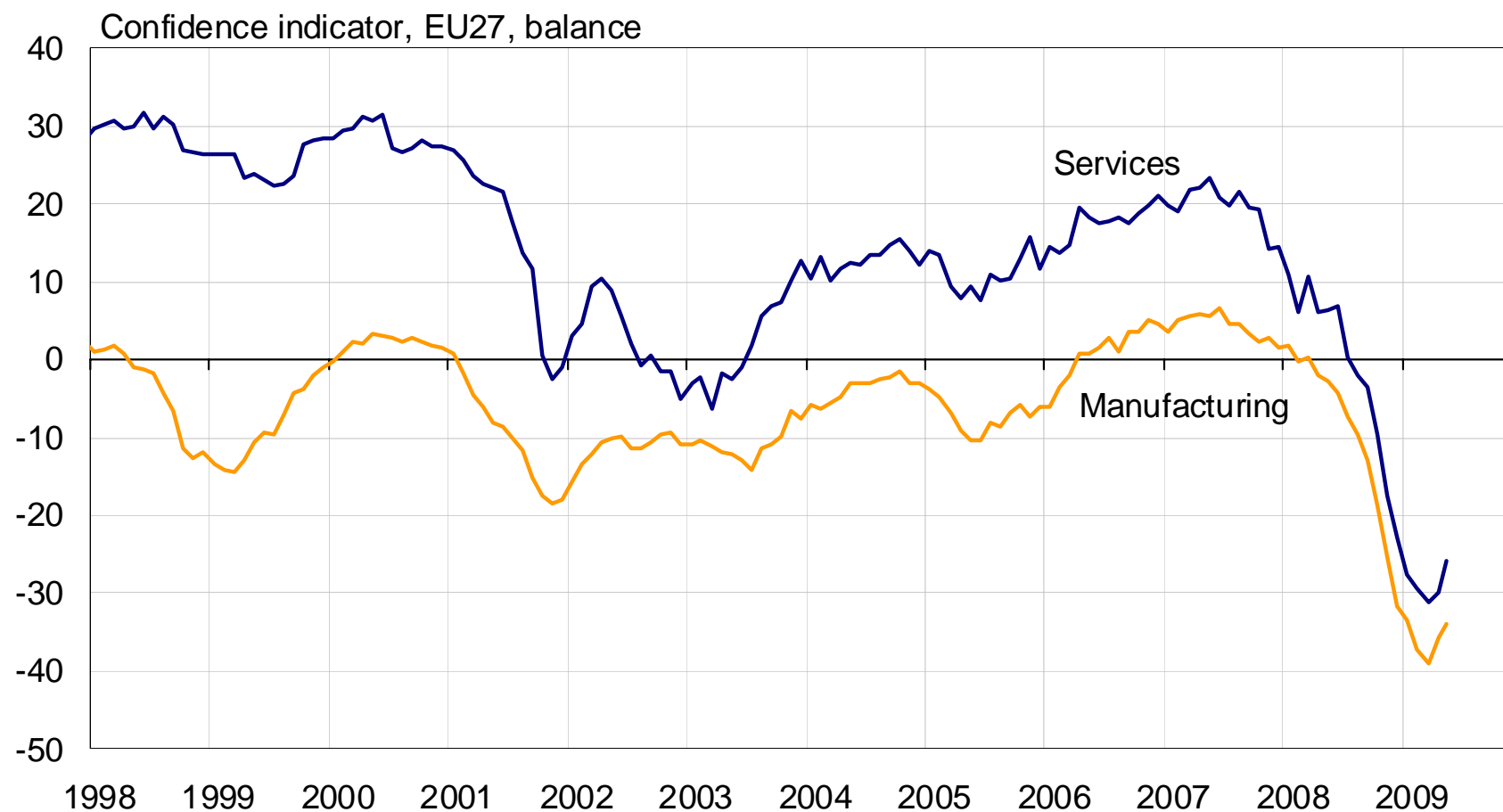
Signs of stabilisation in global economy



Sources: CPB, Institute for Supply Management and Ecwin.



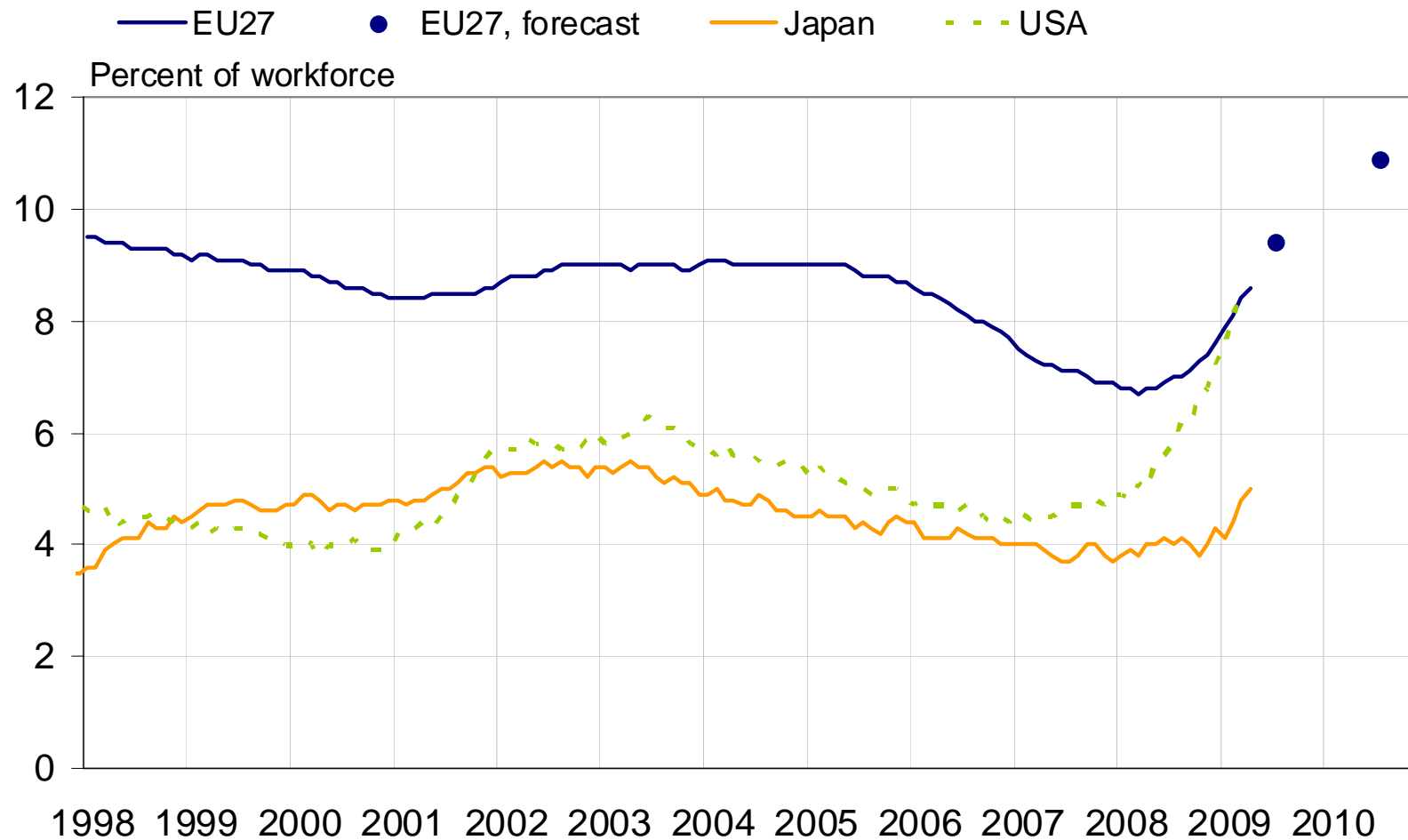
Commission's business surveys up in April-May



Source: Commission services. Last observations: May 2009.



Unemployment rate rising



Sources: Ecwin and Commission services.



Public finances deteriorating

<i>Percent of GDP, EU27</i>	2007	2008f	2009f	2010f
Net lending of general government	-0.8	-2.3	-6.0	-7.3
Gross debt of general government	58.7	61.5	72.6	79.4

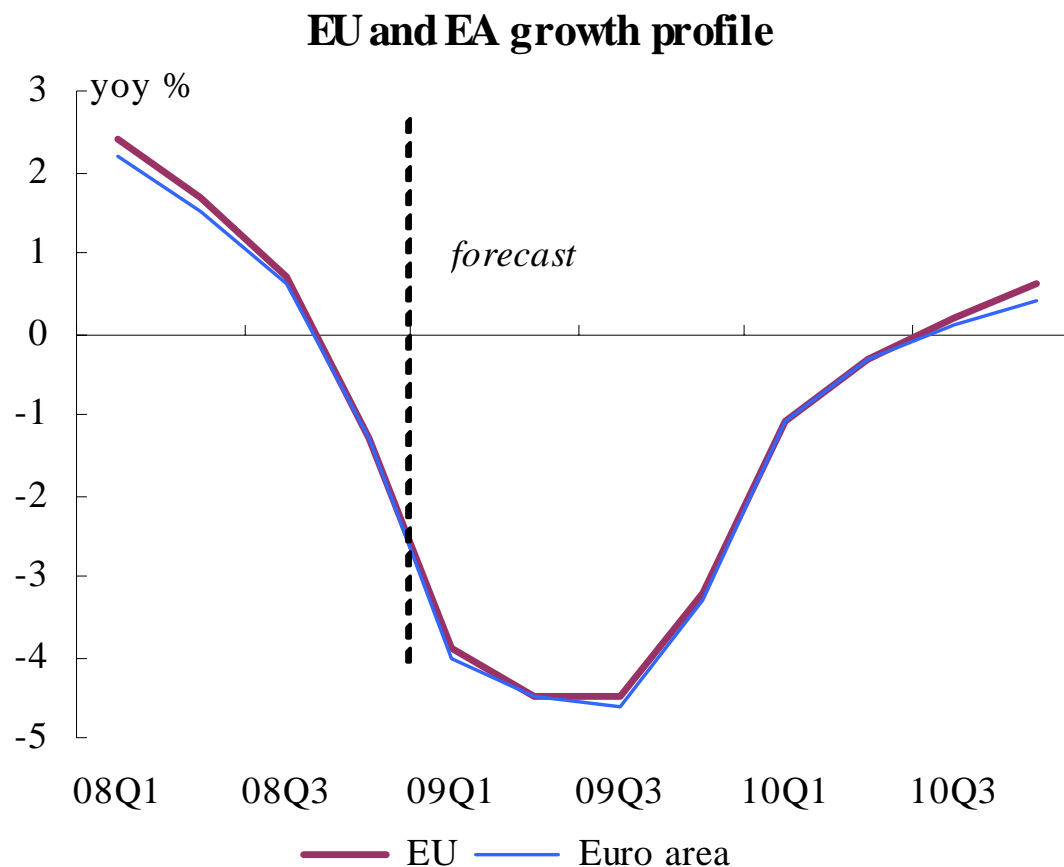
Sources: Eurostat and Commission services.



Euro-area GDP could contract by 4% in 2009



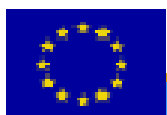
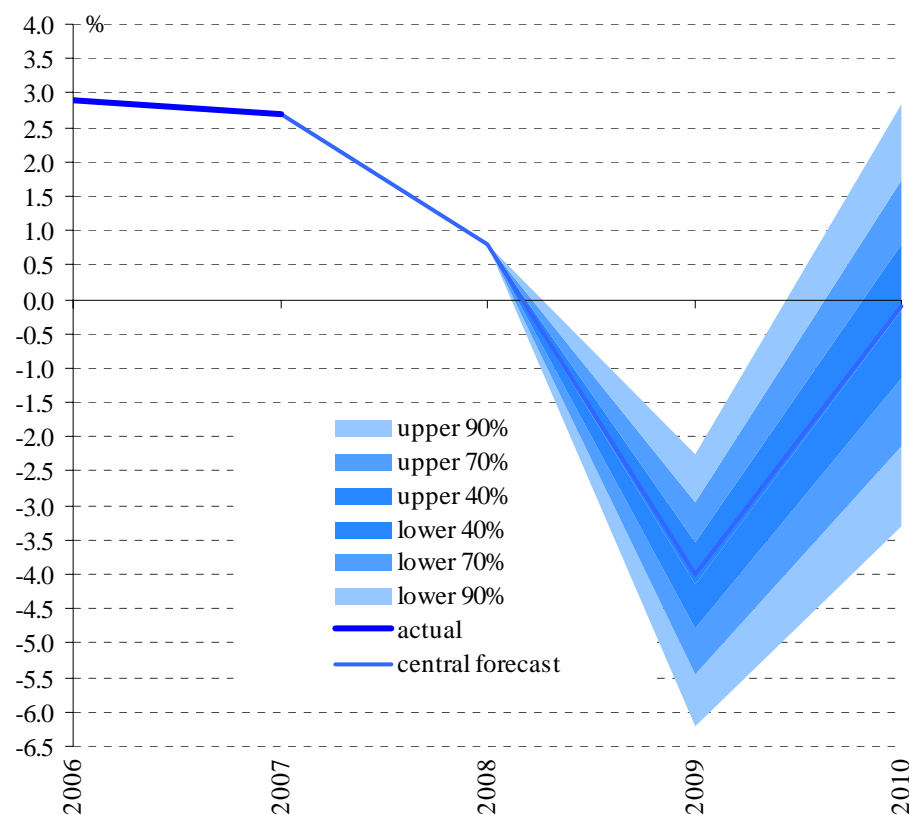
(year-on-year real GDP growth, %)





Risks remain somewhat tilted to the downside

Uncertainty linked to the balance of risks, euro-area GDP





Considerable uncertainties

	Downside risks	Upside risks
External	<p>Negative feedback loop from deteriorating real economy to financial sector</p> <p>Protectionism</p> <p>Disruptive exchange-rate developments</p>	<p>Stronger impact on confidence of recovery packages</p> <p>Faster adjustment in global inventory cycle, US housing sector, recovery in Emerging Markets (incl. China)</p> <p>Commodity prices weakening further</p>
Domestic	<p>Negative feedback loop from deteriorating real economy to financial sector</p> <p>External/domestic vulnerabilities in some MS exacerbated by current crisis</p>	<p>Stronger impact on confidence of recovery packages</p> <p>More favourable consumer response to lower inflation</p>



Europe's policy response to the crisis

- Around 5% of EU GDP of overall support over 2009-10: Recovery plans (1.8%) plus automatic stabilisers (2.7%) plus extra budgetary measures (0.5%)
- Monetary policy easing
- Bank rescue plans
- Employment and social measures



Thank you